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84TH CONGRESS 1st Session	}	HOUSE OF REPRESENTATIVES	}	REPORT No. 1568
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## BONDING OF CIVILIAN AND MILITARY PERSONNEL OF FEDERAL GOVERNMENT

JULY 28, 1955.—Ordered to be printed

Mr. MURRAY of Tennessee, from the committee of conference,  
submitted the following

### CONFERENCE REPORT

[To accompany H. R. 4778]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 4778) entitled "An act to provide for the purchase of bonds to cover officers and employees of the Government," having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate to the text of the bill and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *That section 14 of title 6 of the United States Code is amended to read as follows:*

**"§ 14. Purchase of Bonds to Cover Officers and Employees of the Federal Government**

"(a) Subject to subsection (b) of this section, the head of each department and independent establishment in the executive branch of the Federal Government shall obtain, under regulations which shall be promulgated by the Secretary of the Treasury, blanket, position schedule, or other types of surety bonds covering the civilian officers and employees and military personnel of such department or independent establishment who are required by law or administrative ruling to be bonded. The appropriate officials of the legislative and judicial branches of the Federal Government may obtain any or all of such types of surety bonds covering such officers and employees under their respective jurisdictions as such officials may deem appropriate to be bonded. Each bond obtained under this section shall be of the most economical type available for the number and type of personnel to be bonded and shall be conditioned upon the faithful performance of the duties of the individual or individuals so bonded. The bond premium may cover a period not exceeding two years and shall be

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paid from any funds available for the payment of administrative expenses at the time such premium becomes payable. Whenever any civilian officers or employees or military personnel are covered by a bond under authority of this section, the surety or sureties on any existing bond of any such civilian officers or employees or military personnel shall not be liable for any defaults occurring subsequent to the date of the new coverage. For purposes of this section, the term 'faithful performance of the duties' shall include the proper accounting for all funds or property received by reason of the position or employment of the individual or individuals so bonded and all duties and responsibilities imposed upon such individual or individuals by law or by regulation issued pursuant to law.

"(b) If, in the opinion of the head of the department or independent establishment concerned, the premium cost for any bond procured under this section covering officers or employees in the executive branch of the Federal Government will exceed the rate of \$150 per annum, the procurement of such bond shall be made by the head of such department or independent establishment only after advertising a sufficient time previously for proposals for the furnishing of such bond, except that such advertising for proposals shall not be required when the public exigencies require the immediate procurement of such bond.

"(c) The Secretary of the Treasury shall transmit to the Congress, on or before June 30, 1956, a comprehensive report of the operations of the departments and independent establishments under this section. Thereafter, the Secretary of the Treasury shall transmit to the Congress on or before October 1 of each year, beginning with the year 1957, a comprehensive report of such operations during the preceding fiscal year. Such report shall include, among other matters, information, in summary and in detail, with respect to operations under this section, setting forth—

"(1) the number of officers and employees covered by bonds procured under this section,

"(2) the number and types of bonds procured under this section and the individual penal sums thereof,

"(3) the amounts of the premiums paid for bonds procured under this section, and

"(4) such other information as may be necessary to enable the Committee on Post Office and Civil Service of the Senate and the Committee on Post Office and Civil Service of the House of Representatives to determine the results of operations under this section.

The reports submitted by the Secretary of the Treasury under this section shall be delivered to the President of the Senate and to the Speaker of the House of Representatives (or to the Clerk of the House and the Secretary of the Senate, respectively, if the Congress is not in session) on the same day, and shall be referred to the Committee on Post Office and Civil Service of each House."

SEC. 2. The last sentence of section 6 of title 6 of the United States Code is amended to read as follows: "Except with respect to bonds obtained under section 14 of this title, no officer or person having the approval of any bond shall require that such bond shall be furnished by a guaranty company or by any particular guaranty company."

SEC. 3. The analysis of title 6 of the United States Code, immediately preceding section 1 of such title, is amended by striking out the item

"14. Rate of premium on bond; premiums not to be paid by United States."

and inserting in lieu thereof the following:

"14. Purchase of bonds to cover officers and employees of the Federal Government."

*Sec. 4. The amendments made by this Act shall take effect on January 1, 1956.*

And the Senate agree to the same.

That the House recede from its disagreement to the amendment of the Senate to the title of the bill and agree to the same with an amendment as follows:

In lieu of the amended title proposed by the Senate amendment, amend the title so as to read: "An Act to provide for the purchase of bonds to cover civilian officers and employees and military personnel of the Federal Government."

And the Senate agree to the same.

TOM MURRAY,  
J. H. MORRISON,  
EDWARD H. REES,

*Managers on the Part of the House.*

OLIN D. JOHNSTON,  
MATTHEW M. NEELY,  
FRANK CARLSON,

*Managers on the Part of the Senate.*

#### STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 4778) entitled "An act to provide for the purchase of bonds to cover officers and employees of the Government" submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The Senate amendments struck out all of the House bill after the enacting clause and inserted a substitute text and provided a new title for the House bill.

With respect to the amendment of the Senate to the text of the House bill, the committee of conference recommends that the House recede from its disagreement to the amendment of the Senate with an amendment which is a substitute for both the text of the House bill and the text provided by the Senate amendment and that the Senate agree to the same.

The House bill related to the purchase of bonds to cover postmasters, officers, and employees of the Post Office Department and mail clerks in the armed services and in the United States Coast Guard. The Senate amendment related to the purchase of bonds to cover civilian officers and employees and military personnel of each department and independent establishment in the executive branch of the Federal Government, including the government of the District of Columbia, and officers and employees in the legislative and judicial branches of the Federal Government.

Except for technical and minor drafting changes, the differences between the texts of the House bill, the Senate amendment, and the conference substitute are explained below.

The House bill authorized the Postmaster General to purchase certain types of bonds to cover any or all postmasters, officers, and employees of the Post Office Department and mail clerks in the armed services and in the United States Coast Guard required by law or administrative determination to be bonded. Under the House bill, such purchase of bonds was authorized to be made, under regulations to be prescribed by the Postmaster General, whenever the Postmaster General determined that such purchase would be in the best interests of the Federal Government. The types of bonds so authorized to be purchased were such blanket, position schedule, or other type of surety bonds as the Postmaster General deemed appropriate to cover those individuals required to be bonded. Payment for such bonds was to be made from appropriations or other funds available to the Post Office Department.

The House bill further provided (1) that the premiums on any such bonds could cover periods of not to exceed 4 years, (2) that the bonds should contain such conditions and be in such penalty as the Postmaster General deemed necessary to protect the interests of the Federal Government, and (3) that nothing contained in the House

bill should operate to relieve any postmaster, officer, employee, or mail clerk or his surety from any liability otherwise imposed by law.

The Senate amendment required the head of each department and independent establishment in the executive branch of the Federal Government and in the municipal government of the District of Columbia to obtain blanket, position schedule, or other type of surety bonds to cover civilian officers and employees and military personnel thereof who are required by law or administrative ruling to be bonded. The Senate amendment also authorized the appropriate officials of the legislative and judicial branches of the Federal Government in their discretion to obtain any or all of the above-mentioned types of surety bonds to cover officers and employees under their respective jurisdictions.

The Senate amendment further provided that each bond should be of the most economical type available for the number and type of personnel required to be bonded. The Senate amendment also provided that the bond premium might cover a period not exceeding 2 years and that such premium should be paid from any funds available for the payment of administrative expenses at the time such premium becomes payable.

A further provision of the Senate amendment was to the effect that if, in the opinion of the head of the department or independent establishment concerned, the premium cost for any bond procured under authority of the Senate amendment covering officers and employees in the executive branch of the Federal Government would exceed a rate of \$250 per annum, the procurement of such bond would be required to be made through the Administrator of General Services when so required by him pursuant to section 302 of the Federal Property and Administrative Services Act of 1949 (41 U. S. C., sec. 252).

The Senate amendment was to become effective 60 days after the date of its enactment.

The conference substitute provides, in general, (1) for the mandatory purchase of surety bonds to cover civilian officers and employees and military personnel of each department and independent establishment in the executive branch of the Federal Government (not including the government of the District of Columbia) who are required to be bonded by law or by administrative decision, and (2) for the discretionary purchase of surety bonds to cover those officers and employees in the legislative and judicial branches of the Federal Government with respect to whom the appropriate officials of the legislative and judicial branches deem it advisable to require the purchase of surety bonds.

With respect to the executive branch, the conference substitute provides that the head of each department and independent establishment shall obtain and procure blanket, position schedule, or other types of surety bonds to cover those civilian officers and employees and military personnel of such department or establishment who are required by law or administrative ruling to be bonded. It is required that such bonds shall be obtained and procured under and in conformity with regulations which the Secretary of the Treasury is required to prescribe and issue under the provisions of the conference substitute.

With respect to the legislative and judicial branches, the conference substitute provides that the appropriate officials of those branches

may obtain and procure, in their discretion, blanket, position schedule, or other types of surety bonds to cover those officers and employees under their respective jurisdictions as such officials may deem it necessary or advisable to cover by surety bonds. It may be noted that the above-mentioned regulations prescribed and issued by the Secretary of the Treasury will not be applicable with respect to the legislative and judicial branches of the Federal Government.

The conference substitute further provides that each surety bond obtained and procured, under the provisions of the conference substitute, to cover personnel in the executive, legislative, and judicial branches of the Federal Government, shall be "of the most economical type available for the number and type of personnel to be bonded." It is not the intent of this provision that a bond or bonds obtainable at the lowest premium rate per annum shall constitute in all cases a bond of the "most economical type." Such would seem to be the case as a general rule, all other factors and considerations being equal. However, in many cases, variations in such factors and considerations as differences in the relative financial standing and reliability of the surety, the terms of the respective surety bond contracts available, and the number and types of personnel to be bonded may require, in the interests of the Federal Government other than in the strictly financial sense, the purchase of such bonds at premium rates per annum which are higher than the lowest premium rates per annum actually obtainable. The above-discussed provision of the conference substitute will permit this result.

The conference substitute further provides that each bond obtained and procured, under the provisions of the conference substitute, shall be conditioned upon the "faithful performance of the duties" of the individual or individuals so bonded. The conference substitute elaborates upon the meaning of such quoted words, as an aid to the administration of the conference substitute, by providing that the term "faithful performance of the duties" shall include, for purposes of the conference substitute, (1) the proper accounting for all funds or property received by reason of the position or employment of the individual or individuals so bonded and (2) all duties and responsibilities imposed upon such individual or individuals by law or by regulation issued pursuant to law.

The conference substitute also authorizes the payment of any bond premium to cover a period of not in excess of 2 years. Existing law, however, limits any such payment to a period not in excess of 1 year. Therefore, the operation of this provision of the conference substitute, together with existing law, makes possible the payment of a bond premium to cover either a period not in excess of 1 year or a period not in excess of 2 years, whichever is determined to be the more advantageous to the Federal Government. No bond premium, however, may cover a period in excess of 2 years. The purposes of this provision of the conference substitute are to secure the advantage of more favorable premium rates on surety bonds and to effect savings to the Federal Government in administrative costs in connection with the procurement of such bonds.

With respect to the funds from which bond premiums are to be paid, the conference substitute provides that any such premium shall be paid from any funds available for the payment of administrative expenses at any time such premium becomes payable. This provi-

sion will afford necessary flexibility in entering into contracts for the purchase of surety bonds, including (among other matters) the advertising in advance for proposals and the negotiation of terms which are most advantageous to the Federal Government. Under this provision of the conference substitute, the head of a department or independent establishment in the executive branch, or the appropriate official in the legislative or judicial branch, could enter into a contract for the purchase of a bond in advance of the date on which the bond premium is to be paid. This provision will not, however, permit the avoidance of those laws relating to the obligation and expenditure of appropriated funds or to the incurring of deficiencies, or any other laws and procedures relating to appropriations. For example, it will not permit postponement of the payment of any premium to a fiscal year which begins later than the fiscal year in which such premium is due.

The conference substitute also contains a provision the purpose of which is to clarify the liability of old and new sureties during any changeover periods which occur, with respect to surety bonds, under the provisions of the conference substitute. Such provision is to the effect that whenever any civilian officer or employee or military personnel is covered by a surety bond under authority of the conference substitute, the surety or sureties on any existing surety bond of any such civilian officer or employee or military personnel shall not be liable for any defaults occurring subsequent to the date of the coverage of such officer, employee, or personnel by a new surety bond.

Another provision of the conference substitute relates to advertising for bids or proposals for the furnishing of bonds to the Federal Government under the conference substitute. The effect of such provision is to require the head of the executive department or independent establishment concerned, when in his opinion the procurement of any bond under the conference substitute will result in a premium cost to the Federal Government in excess of \$150 per annum, to advertise a reasonable time in advance of such procurement in order to obtain proposals for the furnishing of such bond. Advertising in advance to obtain proposals for the furnishing of such bond will not be required, however, in any case in which the public exigencies require the immediate procurement of such bond without such advertising.

In this connection, it should be noted that section 3609 of the Revised Statutes, as amended, contains, among other provisions, a requirement for advertising in advance for bids or proposals with respect to purchases and contracts for supplies or services for the Government if the amount involved in any case exceeds \$500, except when the public exigencies require immediate procurement, when there is only one source of supply, or when the services to be procured are personal in nature.

A further provision of the conference substitute provides a means for the Congress to conduct a thorough review and analysis of the operations of the departments and independent establishments of the Federal Government under the conference substitute.

Under such provision the Secretary of the Treasury is required to furnish the Congress with comprehensive reports of such operations. The first such report is to be submitted to the Congress on or before June 30, 1956—that is, 6 months after the effective date of the conference substitute. Thereafter, the Secretary of the Treasury will be

required to submit a report of such operations to the Congress by October 1 of each year, beginning with the year 1957. Each such report shall cover such operations during the preceding fiscal year. These reports will be referred to the Committee on Post Office and Civil Service of the Senate and the Committee on Post Office and Civil Service of the House of Representatives.

The reports of the Secretary of the Treasury under the conference substitute shall include information, in summary and in detail, with respect to (1) the number of officers and employees in the executive branch covered by bonds procured under the conference substitute, (2) the number and types of such bonds and the penal sums thereof, and (3) the amounts of the premiums paid for such bonds. The reports also shall include such other information as may be necessary to enable the Committee on Post Office and Civil Service of the Senate and the Committee on Post Office and Civil Service of the House of Representatives more effectively to perform the review function, with respect to this legislation, which is contemplated by section 136 of the Legislative Reorganization Act of 1946.

It is the intention of the committee of conference that, under the provisions of the conference substitute, the Secretary of the Treasury shall have full authority to require (in such cases as he deems necessary and appropriate to effect the orderly and efficient administration of the provisions of the conference substitute and to accomplish the purposes thereof) that the bonds (including representative types of bonds) obtained by the head of each department and independent establishment in the executive branch of the Federal Government shall be filed in the Department of the Treasury. It is not intended that all such bonds necessarily shall be required to be filed in the Department of the Treasury. It is intended, however, that there shall be filed in such department such bonds, or representative types of bonds, as the Secretary of the Treasury may deem necessary and appropriate to enable the Department of the Treasury to discharge its regular operating functions under the conference substitute and to determine whether bonds are being obtained and procured under the conference substitute in accordance with the regulations which the Secretary of the Treasury shall issue thereunder.

The committee calls attention to the fact that the conference substitute supersedes section 7803 (c) of the Internal Revenue Code of 1954, which provides that—

Whenever the Secretary or his delegate deems it proper, he may require any such officer or employee to furnish such bond, or he may purchase such blanket or schedule bonds, as the Secretary or his delegate deems appropriate. The premium of any such bond or bonds may, in the discretion of the Secretary or his delegate, be paid from the appropriation for expenses of the Internal Revenue Service.

Consultations were held with representatives of the Department of the Treasury, who agreed that such section 7803 (c) is superseded by reason of the enactment of the conference substitute. However, under the conference substitute, any blanket or schedule bond obtained by the Secretary of the Treasury or his delegate pursuant to such section 7803 (c), the term of which will expire after the date of enactment of the conference substitute, may, in accordance with such regulations as the Secretary of the Treasury may promulgate for the purpose, be continued in force until the expiration of such term.

The conference substitute for the most part is composed of amendments to title 6 of the United States Code, relating to official and penal bonds. The conference substitute amends the last sentence of section 6 of such title which now provides that—

No officer or person having the approval of any bond shall exact that it shall be furnished by a guaranty company or by any particular guaranty company.

Since such sentence is inconsistent with the purpose of the conference substitute, the effect of such amendment is to make such sentence inapplicable with respect to the conference substitute in order to give full effect to the new system for the procurement of bonds provided by the conference substitute.

In addition to making several technical amendments to title 6 of the United States Code to conform to the provisions of the conference substitute, the conference substitute further provides that its effective date shall be January 1, 1956.

With respect to the amendment of the Senate to the title of the House bill, the committee of conference recommends that the House recede from its disagreement to the amendment of the Senate to the title of the bill and agree to the same with an amendment to such title set forth in the conference substitute which will reflect more accurately the provisions of the text of the conference substitute and that the Senate agree to the same.

TOM MURRAY,  
J. H. MORRISON,  
EDWARD H. REES,

*Managers on the Part of the House.*

